Inclusive Society and Sustainability Studies, Vol. 5 No. 1 (2025) https://doi.org/10.31098/issues.v5i1.3150

Research Paper

Assessing the Advancement of the Social and Environmental Aspects of Islamic Banking Development in Indonesia

Yoghi Citra Pratama[1*], Naila Nazhirah[1]
[1]Universitas Islam Negeri Syarif Hidayatullah Jakarta, Indonesia

Received: February 13, 2025	Revised: March 19, 2025	Accepted: August 24, 2025	Online: August 29, 2025

Abstract

Islamic banking is fundamentally rooted in Islamic values and guided by Maqasid Shariah (Shariah objectives), which emphasizes goals applicable to both social and commercial activities. This framework reflects the dual objectives that Islamic banks strive to achieve, as stipulated in Islamic Banking Law No. 21 of 2008. Furthermore, this social objective is in line with the international Sustainable Development Goals (SDGs). This research explores the progress of Islamic banks in Indonesia in relation to their contributions to social and environmental aspects. It seeks to analyse the impact of Islamic banking practices on social welfare and sustainable development within the Indonesian context. To support this analysis, stakeholder theory is adopted in conjunction with the Reactive, Defensive, Accommodative, and Proactive (RDAP) scale. The RDAP scale functions as a comprehensive instrument for assessing the social performance of Islamic banking through content analysis, relying on the annual reports of 12 Islamic banks to evaluate their social contributions. The findings indicate that Islamic banks consistently associated with high social outcomes are typically not affiliated with conventional banks or characterised by large capital, such as BSI Bank Aceh Syariah and Bank NTB Syariah. This insight implies the need for regulators to provide incentives aimed at enhancing the social outcomes of Islamic banks.

Keywords: *Islamic Bank, Social, Environmental, Maqasid Sharia, Islamic values*

INTRODUCTION

In recent years, there has been increasing awareness of the role of financial institutions in society, mainly through the implementation of various norms and regulations aimed at regulating and supervising their conduct. Accordingly, multiple standards have been introduced to govern the social responsibility of financial institutions and to ensure their adherence. The distinctive nature of Islamic banks represents the key proposition around which the Islamic finance industry has evolved. The foundational principles of Islamic banking are rooted in Islamic values, which are integral to its operations (Chapra, 2008). These values are encapsulated in Maqasid Shariah, defined as a set of Sharia goals encompassing social activities (Hassan & Kayed, 2009). Thus, an Islamic bank serves both commercial and social objectives, as enshrined in Islamic Banking Law No. 21 of 2008. This law recognises that Islamic banking performs a social function, meaning that its role extends beyond economic benefits to include social welfare for the wider community.

Asutay (2012) asserts that, because Islamic banks carry "Islamic" in their title, they are obliged to fulfil the responsibilities associated with their identity. Usmani (2021) argues that Islamic financial institutions must incorporate Islamic principles into their daily operations, prioritising not only economic gain but also distributive justice and societal obligations. Moreover, Islamic banks are expected to exhibit a greater degree of social responsibility than conventional banks (Asutay et al., 2015; Haniffa & Hudaib, 2007).

In Islamic teachings, an individual's social responsibilities—derived from the Qur'an and Sunnah (the practices of Prophet Muhammad) are likewise applicable to businesses (Mirakhor &

Corresponding author's email: yoghi@uinjkt.ac.id

Askari, 2010). Islam considers work as a form of worship; profits are legitimate business goals, provided they are pursued in accordance with Sharia. Firms claiming Sharia compliance should therefore be transparent about their responsibilities to the community, given that Sharia defines norms for human behaviour and business interactions. In this regard, Chapra (2008) argues that Islamic objectives ought to include economic advancement, value creation, employment opportunities, and enhancement of community welfare.

The values of Islamic banks, including their social and religious dimensions, must be carefully balanced with the business interests of their parent companies. In Indonesia, approximately 80% of Islamic banks operate as subsidiaries or affiliates of conventional banks (Financial Services Authority, 2023). Ownership structure is therefore crucial, as it influences their strategic priorities and stakeholder relationships. Stakeholder theory posits that organisational decisions are shaped by the interests and power of key stakeholders (Jansson, 2005). For subsidiary Islamic banks, the parent conventional bank becomes a dominant stakeholder whose profit-driven expectations may overshadow broader societal obligations, potentially limiting the scope of Corporate Social Responsibility (CSR) initiatives. Conversely, independent Islamic banks tend to have more autonomy in prioritising a broader range of stakeholders, such as communities, employees, and regulators, which allows their CSR practices to align more closely with the principles of Maqasid al-Shariah.

This dynamic has major implications for business strategy and daily operations. Accordingly, it becomes essential to examine the extent to which the social dimension remains significant for Islamic banks that display "Islam" in their title. Despite a growing body of literature emphasising the ethical and social obligations of Islamic banking (Aliyu et al., 2017; Farook et al., 2011; Hassan & Harahap, 2010), there is still a lack of empirical research that comprehensively evaluates the actual social performance of Islamic banks vis-à-vis their Sharia-based mandates. Much prior research remains theoretical or focuses on individual institutions in isolation, rather than offering a comparative assessment across multiple institutions operating under the same context (Hassan & Harahap, 2010; Zafar & Sulaiman, 2019). Moreover, limited attention has been directed at how institutional structures, such as affiliations with conventional parent banks, influence the implementation of social objectives in Islamic banking.

A further gap lies in the methodological approach to measuring social performance: where many existing studies do not utilise systematic frameworks or content-analysis tools to quantify social disclosures. Consequently, there is insufficient understanding of the scope and quality of social responsibility disclosures in Islamic banks, especially in emerging markets like Indonesia, where the coexistence of conventional and Islamic financial systems presents unique operational dynamics.

Research Objective

The primary objective of this study is to evaluate the social performance of Islamic banks by analysing their social responsibility disclosures and comparing results across institutions during the same period. Specifically, this study aims to:

1. Assess the extent to which Islamic banks comply with their social mandates as outlined in Islamic principles and national regulations such as Islamic Banking Law No. 21 of 2008.
2. Identify and categorise the types of social disclosures made by Islamic financial institutions using a content-analysis methodology.

This study contributes to the literature on Islamic banking and CSR by providing a comparative, data-driven assessment of the social role of Islamic banks, thereby informing academic discourse and policy development within the Islamic finance industry.

LITERATURE REVIEW

The increase in the number of Islamic banks and financial institutions worldwide in recent years has been accompanied by extensive discussion in the existing literature on their social performance and contribution to broader socio-economic goals within the Islamic world. Several studies critically examine the role of corporate social responsibility (CSR) in exploring the social dimension of Islamic banking (Farook et al., 2011; Hassan & Harahap, 2010). These investigations frequently focus on the ethical imperatives rooted in Islamic principles, which guide financial institutions in aligning their operations with social welfare objectives. Within this framework, researchers analyse how Islamic banks integrate CSR into their business models, contribute to environmental and sustainable development initiatives, and promote social equity—thereby fulfilling religious obligations while enhancing their reputational standing and stakeholder trust.

Moreover, the literature highlights the impact of such practices on community development and financial inclusivity, underscoring the complex interplay between profit motives and social responsibility in the context of Islamic finance (Amran et al., 2017; Asutay, 2012; Meskovic et al., 2021). Some scholars advocate integrating social considerations into performance measures grounded in Maqasid al-Shariah, which focuses on higher objectives pertaining to human welfare (Alhammadi et al., 2022; Asutay & Harningtyas, 2015; Hosen et al., 2019; Siddiqi et al., 2019). The findings generally suggest that Islamic banking alone has a limited impact on social outcomes, particularly when compared with conventional banks operating under similar conditions.

Regarding specific outcomes, Hamidi and Worthington (2017) highlight concrete social actions taken by Islamic banks, such as the provision of *qardh al-hasan* (benevolent loans), charitable distribution through *zakat* (almsgiving), and the avoidance of financing deemed potentially harmful to the environment and society. Using social content analysis, they measure the social responsiveness of Islamic banks and determine their stated attitudes toward a spectrum of social orientations ranging from denial to anticipation of responsibility.

Amran et al. (2017) explore CSR reporting by full-fledged Islamic banks in two developing countries, such as Indonesia and Malaysia. Their findings reveal that CSR disclosure has generally increased in both countries, with workplace and community dimensions being the most frequently disclosed areas. Although previous studies have acknowledged the growing role of CSR in Islamic banking (Ahmed et al., 2015; Bukhari et al., 2020), empirical evaluations of how Islamic banks disclose their social responsibility practices remain limited in both scope and depth. For instance, Amran et al. (2017) observed increased CSR disclosure over time; however, their study did not compare different institutional types (e.g., full-fledged versus subsidiary Islamic banks), nor did it examine how institutional affiliations and operational models influence the depth and focus of CSR activities. Furthermore, there remains a lack of comprehensive comparative analyses that evaluate multiple Islamic banks within the same national context using quantitative content analysis techniques. Most prior studies, including those by Amran et al. (2017) and Hamidi and Worthington (2020), have not critically assessed whether CSR disclosures align with the foundational principles of Maqasid al-Shariah, nor have they sufficiently considered how regulatory complexities or resource constraints affect disclosure practices.

RESEARCH METHOD

This study employs a quantitative content analysis approach to evaluate the social objectives of Islamic banks in Indonesia. The population comprises all Islamic Commercial Banks operating in Indonesia during the period 2019–2023. The sample was selected using purposive sampling, based on the following inclusion criteria:

- Classified as Islamic Commercial Banks (*Bank Umum Syariah* — BUS) under the supervision of the Financial Services Authority (OJK).

- Have published audited annual reports and CSR disclosures for the years 2019–2023.
- Provide sufficient information for RDAP-based content analysis.

Based on these criteria, a total of 12 Islamic Commercial Banks met the requirements and were included in the final dataset, yielding 60 bank-year observations. The sample consists of Bank Muamalat, Bank Syariah Indonesia (resulting from the merger of BNI Syariah, BRI Syariah, and Bank Mandiri Syariah in 2021), Bank Mega Syariah, BJB Syariah, Bank Bukopin Syariah, BCA Syariah, Bank Victoria Syariah, BTPN Syariah, Bank Panin Dubai Syariah, Bank Aceh Syariah, and Bank NTB Syariah.

To operationalise the assessment, this study combines two complementary frameworks: the RDAP scale and six social performance dimensions. The RDAP scale (Reactive, Defensive, Accommodative, Proactive), developed by Max (1995), measures the level of responsiveness of Islamic banks to stakeholder-related social issues, ranging from minimal compliance (Reactive) to anticipatory, strategic engagement (Proactive).

Table 1. The Reactive-Defensive-Accommodative-Proactive- Scale

Achievement	Rating	Posture or Strategy	Performance
0-40 %	Reactive (R)	Deny responsibility	Doing less than required
41-50%	Defensive (D)	Admit responsibility but fight it	Doing the least that is required
51-60%	Accommodative (A)	Accept responsibility	Doing all that is required
61-100%	Proactive (P)	Anticipate responsibility	Doing more than is required

While the RDAP scale captures how banks respond to social responsibilities, it does not specify what substantive aspects of social performance are being addressed. To fill this gap, this study adopts six dimensions of social objectives—adapted from Hamidi and Worthington (2020), aligned with Islamic values, and mapped to the objectives of maqasid al-shariah. These dimensions are also integrated with established global and ethical benchmarks, including the United Nations' 17 Sustainable Development Goals, the five Environmental, Social, and Governance (ESG) scorecards developed by Oikocredit, and the Kinder, Lydenberg, Domini Research and Analytics (KLD) index of corporate social performance.

In this framework, the six dimensions define the content of social performance measurement, while the RDAP scale serves as the evaluation lens—classifying banks' overall responsiveness as Reactive, Defensive, Accommodative, or Proactive. This combined approach enables both a qualitative and quantitative understanding of Islamic banks' compliance with legal obligations under Law No. 21 of 2008 and their alignment with maqasid al-shariah principles. These dimensions are:

1. Religiosity
2. Environmental stewardship
3. Social and community engagement
4. Governance
5. Employee welfare
6. Inclusivity and customer-related initiatives

All indicators contained in these various references converge with Islamic values. The different sources all reflect Islamic values, with each indicator and construct featured in the annual reports of Islamic commercial banks. These reports showcase the organisation's progress and accomplishments for a year, serving as a responsible means of reporting to consumers, employees, shareholders, and other interested parties. Additionally, they serve as a promotional tool for the company, providing a detailed account of its performance. In Indonesia, standard annual reports typically consist of five main sections:

1. Profile of the company
2. Key achievements and highlights
3. Assessment and evaluation by management
4. Information regarding ethical corporate practices
5. Details about corporate social responsibility and environmental initiatives

The first aspect is religiosity, which is closely tied to Islamic banks. Since these banks operate under the banner of religion, they must uphold religious values in all their activities. One way they do this is by managing and contributing to funds for *Zakah* (a religious levy), *Sadaqa* (charity), and *Qard al-hasan* (benevolent loans). Zakah is one of the five pillars of Islam, and the Qur'an specifies how the proceeds should be spent and who should benefit from them. Unlike traditional banking, which is based on interest (*riba*), Islamic banks are strictly prohibited from participating in such transactions, as interest goes against Islamic teachings. Additionally, they avoid speculative transactions (*maisyir*) and excessive risk (*gharar*), as detailed in both the Qur'an and hadith, which contain four indicators:

1. *Zakah*
2. *Qard al-hasan*
3. Unlawful transactions (riba, gharar, maisyir)
4. Supporting spirituality

The second category encompasses environmental concerns, which are further classified into three indicators. Islam unequivocally prohibits the destruction or harm inflicted upon the physical environment, particularly when such actions are deemed detrimental to individuals or the community (Azmin et al., 2025; Maali et al., 2006). Banking is generally considered to have less direct impact on the environment compared to extractive industries. However, it is imperative for Islamic banks to refrain from financing activities that have a detrimental effect on the environment, as these projects are likely to cause harm to society (Greuning & Iqbal, 2007). Moreover, Islamic banks have the potential to play a significant role in environmental preservation through their contributions and donations. It is important to ensure that the activities of Islamic banks are aimed at benefiting Islamic society as a whole. This environment category has three indicators:

1. Managing green financing
2. Managing a green office
3. Preserving and contributing to the environment

The third category pertains to social community engagement and encompasses five indicators. In the Islamic context, public duties are regarded as integral to its overarching meritorious and ethical values (Maali et al., 2006). It is important for the Islamic bank to first satisfy the needs of the community within which it operates. Consequently, it is important for Islamic banks to effectively convey the following in order to show their dedication to society. This social community involvement consists of five indicators:

1. Training and education for the community
2. Improving the quality of life in the community
3. Empowering the community economically

4. Increasing financial literacy in the community
5. Supporting micro and small businesses

The category of governance matters encompasses four key indicators. A fragile corporate governance framework and high levels of risk exposure further aggravate instances of instability in the banking sector and economic losses (Aslam & Haron, 2020). For this reason, effective corporate governance practices are essential. According to a study conducted by Rehman et al. (2020), a board characterised by good governance practices has the potential to convey a positive message to the market, while also offering valuable guidance to management. This, in turn, can play a crucial role in enhancing the sustainable performance of the banking industry through informed and strategic decision-making.

1. Vision and mission
2. Preventing fraud
3. Overcoming customer complaints
4. Ethics compliance

The fifth category pertains to the management of employees within these institutions and encompasses three key indicators. It is imperative to prioritise the well-being of the employees within a business, as they represent its most invaluable asset. Furthermore, it is crucial to emphasise the significance of education and training, as Islam inherently promotes and fosters the pursuit of knowledge (El-Bassiouny, 2014). In accordance with Haniffa (2002), this research sets disclosure benchmarks pertaining to wage and bonus payments, employee education and training, equal opportunity, and workplace policies. The provision of such disclosures would facilitate users in evaluating the extent to which the bank adheres to Islamic principles in its interactions with employees.

1. Rewards
2. Fair chances for all employees to work equally
3. Providing employees with training and educational opportunities

The sixth dimension measures how Islamic banking relates to its customers. Islam places a great deal of emphasis on customer service (Hassan et al., 2008). As stated in the SDGs and in harmony with Islamic principles of equality between women and men (Khan & Haneef, 2022), this study also measures how much Islamic banks contribute to women's empowerment. A second indicator measures the inclusiveness of Islamic banking to see how it serves people who do not have access to banking services.

The four Reactive, Defensive, Accommodative, and Proactive (RDAP) rating scales are employed to measure banks' social responsiveness levels, encompassing six dimensions and a total of 22 indicators. While content analysis is a well-established methodology, it is not without its challenges. These challenges can arise from potential reliability concerns stemming from vague definitions or interpretations, as well as validity issues regarding the alignment of results with established theories. To address these concerns and enhance reliability, three coders carefully evaluate the research constructs.

The six dimensions define what is measured by breaking down social responsibility into specific, observable indicators (22 in total). Each indicator is scored based on disclosure in annual reports (0 = not disclosed, 1 = qualitative disclosure, 2 = quantitative disclosure). These scores are then aggregated within each dimension and across all dimensions.

$$\frac{\sum_{t=1}^{nj} Xij}{nj}$$

When "*nj*" represents the quantity of items or constructs disclosed by the *j*th bank, with *nj* being equal to 22, and when *Xij* is equal to 2, it signifies that the construct is both qualitative and quantitative. If the construct is purely qualitative, *Xij* is assigned a score of 1, and if it's neither, *Xij* is assigned a score of 0.

For example, one of the Islamic bank's categories of social objectives is preserving and enhancing the environment. This research began with a comprehensive analysis of the annual report, utilizing the keyword "environmental" as the foundation for the study. The scoring criteria for this framework are as follows: if a bank does not integrate environmental considerations, it receives a score of zero; if a bank acknowledges environmental issues in principle, it is awarded a score of one; if a bank not only recognises these issues but also actively implements relevant programs and elaborates on these initiatives in its annual report, it garners a score of two. For each dimension, sum the indicator scores and divide by the maximum possible score for that dimension:

$$Dimensions\ \% = \frac{Total\ Dimension}{Max\ possible\ score\ for\ dimension} x100$$

For example:
If "Environment" has 3 indicators, the maximum possible score = 3 x 2 = 6.
If a bank scores 4 out of 6, the percentage is:

$$\frac{4}{6} x\ 100 = 67\%$$

It results in the bank having a proactive (P) rating.

Overall, a social outcome-weighted asset formulation is as follows:

$$\bar{X} = \frac{\sum_{t=1}^{nj} Xi\, Wi}{\sum_{t=1}^{nj}\ Wi}$$

Where x is social outcome-weighted assets, xi is the value of social outcome i and W_i is the asset weighting of X_i. If banks underperform, indicated by a rating of either Reactive (R) or Defensive (D), then social failure is considered evident. Finally, the aggregated scores are interpreted through the RDAP scale, allowing each bank to be categorised according to its overall responsiveness level. In this way, the six dimensions provide the substantive content for measurement, while the RDAP framework offers the evaluative lens for interpreting banks' social performance.

FINDINGS AND DISCUSSION

The subsequent table presents the findings of the analysis and assessment of twelve Islamic banks over the period from 2019 to 2023, utilising the RDAP Scale for evaluation. Table 2 presents the RDAP-based assessment of twelve Islamic commercial banks between 2019 and 2023, which shows significant variation in social performance over time. The peak year was 2020, when 11 out of 13 banks demonstrated proactive engagement in social responsibilities, exceeding minimum requirements and showing strong alignment with Sharia-based social objectives. In contrast, 2021 marked a downturn, with several banks moving to reactive or defensive categories. The COVID-19 pandemic contributed to this decline by reducing operational capacity, financial flexibility, and CSR execution. Performance partially rebounded in 2022 and 2023, though the number of proactive banks remained stable rather than increasing.

Banks consistently achieving proactive ratings include Bank Muamalat, BSI, BTPN Syariah, Bank Aceh Syariah, and Bank NTB Syariah. These institutions maintained above-average performance across most dimensions, particularly in religiosity, environment, and community engagement. High scores suggest strategic integration of social goals with business operations.

A notable pattern emerged regarding institutional affiliation: independent or regionally owned Islamic banks (e.g., Bank NTB Syariah, Bank Aceh Syariah, Bank Muamalat) recorded higher social performance. Meanwhile, subsidiary Islamic banks affiliated with conventional banks (e.g., Bank Bukopin Syariah, BJBS, Bank Victoria Syariah, Bank Panin Dubai Syariah) often scored lower, particularly in community engagement and inclusivity. This supports stakeholder theory by showing that independent banks can prioritise a broader range of stakeholders. At the same time, subsidiaries may be more constrained by parent-company profit imperatives (aligned with shareholder theory).

Across the six social performance dimensions, religiosity and environmental stewardship maintained consistently high disclosure levels. Inclusivity and customer-related initiatives showed the weakest performance, with several banks scoring zero in multiple years. Governance and employee welfare displayed mixed results, suggesting inconsistent prioritisation across banks and periods. The RDAP scores in this study do not merely reflect disclosure levels—they indicate the degree to which Islamic banks fulfil the legal and ethical mandates embedded in the Law of the Republic of Indonesia No. 21 of 2008 on Islamic Banking and the broader Maqasid al-Shariah objectives.

Under Article 4 of Law No. 21/2008, Islamic banks are required to conduct their business based on the principles of justice, partnership, transparency, and universal benefit (*rahmatan lil 'alamin*). All CSR initiatives must fully align with Shariah law, which can restrict product design and service delivery. Balancing Shariah compliance with modern CSR expectations may create conflicts between social objectives and financial goals (Franzoni & Ait Allali, 2018; Hassanein & Tharwat, 2024). These obligations extend beyond financial transactions to include social and community responsibilities. Banks achieving proactive RDAP ratings (≥ 70%)—such as Bank Muamalat, BSI, and BTPN Syariah—demonstrate substantial compliance with these provisions by integrating socio-economic development, charitable activities, and inclusive financing into their core operations.

Conversely, banks in the reactive or defensive categories (< 55%) tend to meet only the minimum compliance requirements of Law No. 21/2008, focusing on basic transparency and limited charitable disbursement, with little evidence of strategic integration of Maqasid al-Shariah into their business models. This gap underscores the difference between formal compliance and substantive fulfilment of Islamic banking's socio-economic mandate.

Table 2. Results of RDAP Scale

2019	Religiousity	Environment	Community	Governance	Employee	Inclusivity	Total	Score
Bank Muamalat	75.0%	100.0%	70.0%	62.5%	75.0%	16.7%	66.5%	**P**
BRIS	87.5%	100.0%	90.0%	37.5%	75.0%	0.0%	65.0%	**P**
Bank Mega Syariah	62.5%	100.0%	90.0%	62.5%	62.5%	16.7%	65.7%	**P**
BJBS	62.5%	0.0%	90.0%	37.5%	37.5%	0.0%	37.9%	**R**
Bank Bukopin Syariah	50.0%	100.0%	60.0%	87.5%	50.0%	0.0%	57.9%	**A**
BCA Syariah	37.5%	83.3%	80.0%	75.0%	87.5%	0.0%	60.6%	**P**
BTPN Syariah	37.5%	83.3%	90.0%	87.5%	62.5%	16.7%	62.9%	**P**
Bank Victoria Syariah	25.0%	0.0%	40.0%	75.0%	50.0%	0.0%	31.7%	**R**
BSM	75.0%	100.0%	100.0%	75.0%	75.0%	16.7%	73.6%	**P**
Bank Panin Dubai Syariah	62.5%	100.0%	50.0%	75.0%	75.0%	16.7%	63.2%	**P**
Bank Aceh Syariah	87.5%	100.0%	100.0%	87.5%	75.0%	33.3%	80.6%	**P**
Bank NTB Syariah	87.5%	100.0%	90.0%	87.5%	75.0%	33.3%	78.9%	**P**

2020	Religiousity	Environment	Community	Governance	Employee	Inclusivity	Total	Score
Bank Muamalat	75.0%	100.0%	100.0%	62.5%	87.5%	0.0%	70.8%	**P**
BRIS	87.5%	100.0%	100.0%	50.0%	87.5%	33.3%	76.4%	**P**
Bank Mega Syariah	62.5%	100.0%	90.0%	62.5%	100.0%	0.0%	69.2%	**P**
BJBS	75.0%	100.0%	90.0%	62.5%	100.0%	0.0%	71.3%	**P**
Bank Bukopin Syariah	62.5%	100.0%	90.0%	75.0%	75.0%	0.0%	67.1%	**P**
BCA Syariah	75.0%	100.0%	100.0%	62.5%	87.5%	0.0%	70.8%	**P**
BTPN Syariah	37.5%	100.0%	60.0%	87.5%	62.5%	50.0%	66.3%	**P**
Bank Victoria Syariah	12.5%	50.0%	50.0%	62.5%	37.5%	0.0%	35.4%	**R**
BSM	75.0%	100.0%	50.0%	100.0%	75.0%	0.0%	66.7%	**P**
Bank Panin Dubai	75.0%	83.0%	50.0%	62.5%	75.0%	0.0%	57.6%	**A**

2019	Religiousity	Environment	Community	Governance	Employee	Inclusivity	Total	Score
Syariah								
Bank Aceh Syariah	87.5%	100.0%	100.0%	75.0%	87.5%	0.0%	75.0%	**P**
BNIS	100.0%	100.0%	100.0%	62.5%	75.0%	50.0%	81.3%	**P**
Bank NTB Syariah	87.5%	100.0%	100.0%	87.5%	75.0%	0.0%	75%	**P**

2021	Religiousity	Environment	Community	Governance	Employee	Inclusivity	Total	Score
Bank Muamalat	75.0%	100.0%	100.0%	62.5%	75.0%	16.7%	71.5%	**P**
BSI	75.0%	100.0%	100.0%	75.0%	75.0%	33.3%	76.4%	**P**
Bank Mega Syariah	50.0%	66.7%	90.0%	62.5%	50.0%	0.0%	53.2%	**A**
BJBS	25.0%	33.3%	60.0%	37.5%	37.5%	0.0%	32.2%	**R**
Bank Bukopin Syariah	25.0%	0.0%	20.0%	50.0%	50.0%	0.0%	24.2%	**R**
BCA Syariah	50.0%	33.3%	80.0%	62.5%	87.5%	16.7%	55.0%	**A**
BTPN Syariah	25.0%	66.7%	90.0%	87.5%	62.5%	66.7%	66.4%	**P**
Bank Victoria Syariah	0.0%	83.3%	40.0%	62.5%	75.0%	0.0%	43.5%	**D**
Bank Aladin Syariah	0.0%	66.7%	50.0%	25.0%	37.5%	0.0%	29.9%	**R**
Bank Panin Dubai Syariah	62.5%	50.0%	10.0%	50.0%	62.5%	16.7%	41.9%	**D**
Bank Aceh Syariah	75.0%	100.0%	100.0%	87.5%	75.0%	33.3%	78.5%	**P**
Bank NTB Syariah	100.0%	83.3%	100.0%	75.0%	87.5%	33.3%	79.9%	**P**

2022	Religiousity	Environment	Community	Governance	Employee	Inclusivity	Total	Score
Bank Muamalat	75.0%	50.0%	90.0%	75.0%	75.0%	0.0%	60.8%	**P**
BSI	87.5%	100.0%	100.0%	75.0%	75.0%	33.3%	78.5%	**P**
Bank Mega Syariah	62.5%	33.3%	80.0%	62.5%	37.5%	0.0%	46.0%	**D**
BJBS	62.5%	16.7%	60.0%	62.5%	50.0%	0.0%	42.0%	**D**
Bank Bukopin Syariah	37.5%	66.7%	40.0%	62.5%	62.5%	0.0%	44.9%	**D**

2019	Religiousity	Environment	Community	Governance	Employee	Inclusivity	Total	Score
BCA Syariah	50.0%	83.3%	70.0%	62.5%	87.5%	33.3%	64.4%	**P**
BTPN Syariah	37.5%	100.0%	80.0%	87.5%	87.5%	66.7%	76.5%	**P**
Bank Victoria Syariah	37.5%	33.3%	10.0%	37.5%	37.5%	0.0%	26.0%	**R**
Bank Aladin Syariah	25.0%	83.3%	70.0%	75.0%	50.0%	33.3%	56.1%	**A**
Bank Panin Dubai Syariah	62.5%	50.0%	60.0%	62.5%	75.0%	0.0%	51.7%	**A**
Bank Aceh Syariah	50.0%	50.0%	80.0%	87.5%	62.5%	0.0%	55.0%	**A**
Bank NTB Syariah	75.0%	66.7%	90.0%	75.0%	87.5%	33.3%	71.3%	**P**

2023	Religiousity	Environment	Community	Governance	Employee	Inclusivity	Total	Score
Bank Muamalat	75.0%	100.0%	50.0%	75.0%	100.0%	0.0%	66.7%	**P**
BSI	75.0%	100.0%	100.0%	75.0%	75.0%	33.3%	76.4%	**P**
Bank Mega Syariah	50.0%	66.7%	90.0%	62.5%	62.5%	0.0%	55.3%	**A**
BJBS	25.0%	50.0%	70.0%	75.0%	62.5%	0.0%	47.1%	**D**
Bank Bukopin Syariah	25.0%	0.0%	40.0%	75.0%	62.5%	0.0%	33.8%	**R**
BCA Syariah	75.0%	66.7%	80.0%	75.0%	100.0%	33.3%	71.7%	**P**
BTPN Syariah	62.5%	66.7%	90.0%	87.5%	87.5%	66.7%	76.8%	**P**
Bank Victoria Syariah	12.5%	66.7%	20.0%	50.0%	50.0%	0.0%	33.2%	**R**
Bank Aladin Syariah	25.0%	66.7%	50.0%	62.5%	75.0%	33.3%	52.1%	**A**
Bank Panin Dubai Syariah	50.0%	66.7%	40.0%	62.5%	87.5%	0.0%	51.1%	**A**
Bank Aceh Syariah	75.0%	66.7%	100.0%	87.5%	50.0%	33.3%	68.8%	**P**
Bank NTB Syariah	87.5%	100.0%	90.0%	75.0%	75.0%	33.3%	76.8%	**P**

CONCLUSIONS

The study contributes to the descriptive literature on the social and environmental aspects of Islamic banks. It highlights the economic and social outcomes within the action arena of the Islamic banking industry. This is in accordance with the mandate of Law No. 21 of 2008, namely that Islamic banks have commercial and social functions as part of their performance. The results of these outcomes evaluate the effectiveness of policies for policymakers and investors in the Islamic banking industry. Positive outcomes can incentivise users, the government, and investors in developing Islamic banking by increasing investment value and vice versa. This study has also identified and categorised six distinct areas, namely Maqasid al-Shariah, the United Nations' 17 Sustainable Development Goals, the five Environmental, Social, and Governance (ESG) scorecards developed by Oikocredit, and the Kinder, Lydenberg, Domini (KLD) index of corporate social performance.

The study showed that Islamic banks with high social outcomes are not affiliated with conventional banks or banks with large capital, such as BSI, Bank Aceh Syariah, and Bank NTB Syariah. Smaller Islamic banks often face financial limitations, a lack of skilled human capital, and a shortage of Shariah experts. These constraints hinder their ability to run extensive or innovative CSR programs. This finding has implications for regulators to provide incentives to improve the social outcomes of Islamic banks. The findings also illustrate the dynamic interplay between stakeholder theory and shareholder theory. From the stakeholder theory perspective, independent and regionally owned banks demonstrate stronger alignment with maqasid al-shariah, balancing commercial aims with broader stakeholder interests, including communities, employees, and regulators. From the shareholder theory perspective, subsidiary Islamic banks affiliated with conventional parents show patterns consistent with profit-maximisation priorities, leading to a narrower CSR focus and reduced social impact. These patterns reinforce the importance of governance structures and ownership models in shaping the balance between profit and social responsibility in Islamic banking.

LIMITATION & FURTHER RESEARCH

This study provides valuable insights into the social and environmental performance of Islamic banks in Indonesia by employing a structured content analysis and the RDAP scale. However, several limitations should be acknowledged. The study relies exclusively on publicly available annual reports from Islamic banks, which may not fully reflect all social responsibility initiatives, particularly informal or unreported CSR activities. Although steps were taken to ensure coding reliability (e.g., involving three coders), content analysis inherently involves a degree of interpretation, which may introduce bias or inconsistency in scoring. The focus on Indonesian Islamic banks offers deep insight into a specific national context, but the findings may not be generalisable to other regions with different regulatory, cultural, or institutional settings.

In light of these limitations, future research could explore several promising directions. Incorporating the views of both primary and secondary stakeholders through interviews, surveys, or focus groups could enrich the analysis and provide a more holistic view of Islamic banks' social impact. Conducting comparative analyses across countries (e.g., Malaysia, Pakistan, and Gulf countries) would help identify best practices and examine how national contexts influence CSR implementation in Islamic banking. Future studies may also adopt a longitudinal design to assess how social performance evolves, particularly during periods of crisis such as the COVID-19 pandemic.

REFERENCES

Ahmed, H., Mohieldin, M., Verbeek, J., & Aboulmagd, F. (2015). *On the Sustainable Development Goals and the role of Islamic finance* (Policy Research Working Paper No. 7266). World Bank.

Alhammadi, S., Alotaibi, K. O., & Hakam, D. F. (2022). Analysing Islamic banking ethical performance from Maqāṣid al-Sharīʿah perspective: Evidence from Indonesia. *Journal of Islamic Accounting and Business Research*, *12*(7), 1171–1193. https://doi.org/10.1108/JIABR-12-2019-0228

Aliyu, S., Hassan, M. K., Yusof, R. M., & Naiimi, N. (2017). Islamic banking sustainability: A review of literature and directions for future research. *Emerging Markets Finance and Trade*, *53*(2), 440–470. https://doi.org/10.1080/1540496X.2016.1262761

Amran, A., Fauzi, H., Purwanto, Y., Darus, F., Yusoff, H., Zain, M. M., Naim, D. M. A., & Nejati, M. (2017). Social responsibility disclosure in Islamic banks: A comparative study of Indonesia and Malaysia. *Journal of Financial Reporting and Accounting*, *15*(1), 99–115. https://doi.org/10.1108/JFRA-01-2015-0016

Aslam, E., & Haron, R. (2020). Does corporate governance affect the performance of Islamic banks? New insight into Islamic countries. *Corporate Governance*, *20*(6), 1073–1090. https://doi.org/10.1108/CG-11-2019-0350

Asutay, M. (2012). Conceptualising and locating the social failure of Islamic finance: Aspirations of moral economy vs realities of Islamic finance. *Asian and African Area Studies*, *11*(2), 93–113. https://doi.org/10.14989/153901

Asutay, M., & Harningtyas, A. F. (2015). Developing Maqasid al-Shari'ah Index to evaluate social performance of Islamic banks: A conceptual and empirical attempt. *International Journal of Islamic Economics and Finance Studies*, *1*(1), 5–64.

Bukhari, S. A. A., Hashim, F., Amran, A. B., & Hyder, K. (2020). Green banking and Islam: Two sides of the same coin. *Journal of Islamic Marketing*, *11*(4), 977–1000. https://doi.org/10.1108/JIMA-09-2018-0154

Chapra, M. U. (2008). *The Islamic vision of development in the light of Maqāsid al-Sharīʿah*. Islamic Research and Training Institute, Islamic Development Bank.

El-Bassiouny, N. (2014). The one-billion-plus marginalisation: Toward a scholarly understanding of Islamic consumers. *Journal of Business Research*, *67*(2), 42–49. https://doi.org/10.1016/j.jbusres.2013.03.010

Farook, S., Hassan, M. K., & Lanis, R. (2011). Determinants of corporate social responsibility disclosure: The case of Islamic banks. *Journal of Islamic Accounting and Business Research*, *2*(2), 114–141. https://doi.org/10.1108/17590811111170539

Financial Services Authority (2023). *Laporan Perkembangan Keuangan Syariah Tahun 2023.* Financial Services Authority https://ojk.go.id/id/kanal/syariah/data-dan-statistik/laporan-perkembangan-keuangan-syariah-indonesia/Pages/Laporan-Perkembangan-Keuangan-Syariah-Indonesia-2023.aspx: Financial Service Authority, 2023

Franzoni, S., & Ait Allali, A. (2018). Principles of Islamic finance and principles of corporate social responsibility: What convergence? *Sustainability*, *10*(3), 637. https://doi.org/10.3390/su10030637

Greuning, H. van., & Iqbal, Z. (2007). Banking and the risk environment. In *Islamic finance: The regulatory challenge*(pp. 9–39).

Hamidi, L., & Worthington, A. C. (2020). How social is Islamic banking? *Society and Business Review*, *16*(1), 51–70. https://doi.org/10.1108/SBR-03-2020-0036

Haniffa, R. (2002). Social responsibility disclosure: An Islamic perspective. *Indonesian Management and Accounting Research*, *1*, 128–146.

Haniffa, R., & Hudaib, M. (2007). Exploring the ethical identity of Islamic banks via communication in annual reports. *Journal of Business Ethics*, *76*(1), 97–116. https://doi.org/10.1007/s10551-006-9272-5

Hassan, A., Chachi, A., & Latiff, S. A. (2008). Islamic marketing ethics and its impact on customer satisfaction in the Islamic banking industry. *Journal of King Abdulaziz University: Islamic Economics*, *21*(1), 27–46.

Hassan, A., & Harahap, S. S. (2010). Exploring corporate social responsibility disclosure: The case of Islamic banks. *International Journal of Islamic and Middle Eastern Finance and Management*, *3*(3), 203–227.

Hassan, M. K., & Kayed, R. N. (2009). The global financial crisis, risk management and social justice in Islamic finance. In *Risk management and social justice in Islamic finance* (pp. 7–38).

Hassanein, A., & Tharwat, H. (2024). Corporate social responsibility: An Islamic Shari'ah-compliant perspective. In *The Emerald Handbook of Ethical Finance and Corporate Social Responsibility: A framework for sustainable development* (pp. 397–416). Emerald.

Hosen, M. N., Jie, F., Muhari, S., & Khairman, M. (2019). The effect of financial ratios, Maqasid sharia index, and index of Islamic social reporting to profitability of Islamic bank in Indonesia. *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah*, *11*(2), 201–222.

Jansson, E. (2005). The stakeholder model: The influence of the ownership and governance structures. *Journal of Business Ethics*, *56*(1), 1–13.

Khan, F., & Haneef, M. A. (2022). Religious responses to sustainable development goals: An Islamic perspective. *Journal of Islamic Monetary Economics and Finance*, *8*(2), 161–180.

Maali, B., Casson, P., & Napier, C. (2006). Social reporting by Islamic banks. *Abacus*, *42*(2), 266–289. https://doi.org/10.1111/j.1467-6281.2006.00200.x

Max, B. E. C. (1995). A stakeholder framework for analyzing and evaluating corporate social performance. *Academy of Management Review*, *20*(1), 92–117. https://doi.org/10.2307/258888

Meskovic, A., Kozarevic, E., & Avdukic, A. (2021). *Social performance of Islamic banks—Theoretical and practical insights*. https://doi.org/10.13135/2421-2172/6199

Mirakhor, A., & Askari, H. (2010). *Islam and the path to human and economic development*. Palgrave Macmillan. https://doi.org/10.1057/9780230110014

Rehman, Z. U., Zahid, M., Rahman, H. U., Asif, M., Alharthi, M., Irfan, M., & Glowacz, A. (2020). Do corporate social responsibility disclosures improve financial performance? A perspective of the Islamic banking industry in Pakistan. *Sustainability*, *12*(8), 3302. https://doi.org/10.3390/su12083302

Shompa, A. Z., Akbar, M. A., & Mohd Mohadis, H. (2025). Harmonising Maqasid al-Shari'ah with sustainable waste management practices: A conceptual framework for principles and implementation. *International Journal of Islamic and Middle Eastern Finance and Management*, *18*(1), 142–165. https://doi.org/10.1108/IMEFM-02-2024-0061

Siddiqi, M. F., Jan, S., & Ullah, K. (2019). Maqasid al-Shariah and stakeholders' wellbeing in Islamic banks: A proposed framework. *Business and Economic Review*, *11*(1), 83–102.

Usmani, M. M. T. (2021). *An introduction to Islamic finance* (Vol. 20). Brill.

Zafar, M. B., & Sulaiman, A. A. (2019). Corporate social responsibility and Islamic banks: A systematic literature review. *Management Review Quarterly*, *69*(2), 159–206.